

Unofficial Translation

No. 8/19/DPbS

Jakarta, August 24, 2006

CIRCULAR LETTER  
TO  
ALL COMMERCIAL BANKS  
CONDUCTING BUSINESS BASED ON SHARIA PRINCIPLES  
IN INDONESIA

Subject : Sharia Supervision and Supervision Finding Report Guidelines  
for Sharia Supervisory Board

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Based on Bank Indonesia Regulation Number 6/17/PBI/2004 dated July 1, 2004, concerning Rural Banks Based on Sharia Principles (State Gazette of the Republic of Indonesia Number 58 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4392), Bank Indonesia Regulation Number 6/24/PBI/2004 dated October 14, 2004, concerning Commercial Banks Conducting Business Based on Sharia Principles (State Gazette of the Republic of Indonesia Number 122 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4434) as amended by Bank Indonesia Regulation Number 7/35/PBI/2005 dated September 29, 2005 (State Gazette of the Republic of Indonesia Number 90 of 2005, Supplement to the State Gazette of the Republic of Indonesia Number 4536), and Bank Indonesia Regulation Number 8/3/PBI/2006 dated January 30, 2006, concerning Conversion of Business of Conventional Commercial Banks to Commercial Banks Conducting Business

Based on ...

Based on Sharia Principles and Establishment of Bank Offices Conducting Business Based on Sharia Principles by Conventional Commercial Banks (State Gazette of the Republic of Indonesia of 2006 Number 5, Supplement to the State Gazette of the Republic of Indonesia Number 4599), Sharia Supervisory Board performs duties, authorities, and responsibilities including but not limited to ascertain and control the compliance of bank operational activities with the fatwa issued by the National Sharia Council, to assess sharia aspects on operating guidelines and products released by bank, to provide opinion from the aspect of sharia regarding the conduct of bank operations on the whole in bank condensed financial statement, to study new products and services to be released by bank in order to request the fatwa from the National Sharia Council, and to submit reports on sharia supervision findings. In order to provide guidelines for Sharia Supervisory Board in performing its duties, authorities, and responsibilities, it is considered necessary to enact its implementation provisions in a Bank Indonesia Circular Letter as follows.

#### I. GENERAL REVIEW

1. Sharia Supervisory Board of Bank conducting business based on sharia principles in performing its duties, authorities, and responsibilities shall refer to Sharia Supervision and Supervision Finding Report Guidelines for Sharia Supervisory Board for Sharia Supervisory Board as attached.
2. Sharia Supervision and Supervision Finding Report Guidelines for Sharia Supervisory Board represent a minimum standard which has been prepared in order to develop consistency of view and approach for Sharia Supervisory Board of Bank conducting business based on sharia principles in conducting sharia supervision.

3. Sharia supervision finding report along with its working papers shall be submitted by Sharia Supervisory Board to the Board of Directors, the Board of Commissioners, the National Sharia Council, and Bank Indonesia applying the reporting format as stipulated in Chapter IV Sharia Supervision and Supervision Finding Report Guidelines for Sharia Supervisory Board.
4. Sharia supervision finding report shall contain no less than :
  - a. Supervision findings on the compliance of Bank operations with the fatwa issued by the National Sharia Council.
  - b. Sharia opinion on operating guidelines and products released by Bank.
  - c. Analysis on new products and services which have not obtained any fatwa in order to request the fatwa to the National Sharia Council.
  - d. Sharia opinion on the whole operation of Bank in the Bank's condensed financial statement.
5. Any Bank which has owned sharia supervision guidelines for Sharia Supervisory Board is required adjust the guidelines at least to be the same as the Sharia Supervision and Supervision Finding Report Guidelines for Sharia Supervisory Board as stipulated by Bank Indonesia.
6. Sharia Supervision and Supervision Finding Report Guidelines for Sharia Supervisory Board constitute an integral part of this Circular Letter.

## II. CONCLUDING PROVISIONS

With the enforcement of this Circular Letter, Appendix 9 (Findings of

Sharia Supervisory Board of Rural Banks Based on Sharia Principles) of Bank Indonesia Circular Letter No. 6/31/DPbS dated July 28, 2004, concerning Sharia Rural Banks and Appendix 9 (Findings of Bank Sharia Supervisory Board) of Bank Indonesia Circular Letter No. 7/5/DPbS dated February 8, 2005, concerning Commercial Banks Conducting Business Based on Sharia Principles are revoked and declared no longer valid.

Provisions in this Bank Indonesia Circular Letter shall come into force since August 24, 2006.

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the State Gazette of the Republic Indonesia.

Please be informed accordingly.

BANK INDONESIA,

SITI CH. FADJRIJAH

Deputy Governor

DPbS